

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 60-13

May 23, 1960

EXPORTATION OF DISTILLED SPIRITS AND SPECIALLY DENATURED SPIRITS

Proprietors of distilled spirits plants,
customs manufacturing bonded warehouses -
class six, and others concerned:

Purpose. The purpose of this industry circular is to acquaint you with proposed changes in the regulations relating to the exportation of distilled spirits and specially denatured spirits.

Background. Regulations in 26 CFR Part 252 are being revised and reissued to include in one regulation all provisions relating to the exportation, use as supplies on vessels and aircraft, and transfer to foreign-trade zones and customs manufacturing bonded warehouses of distilled spirits and denatured spirits. Such provisions cover spirits withdrawn without payment of tax, denatured spirits withdrawn free of tax and spirits removed with benefit of drawback of the tax. Part 252 also will contain similar provisions for beer and wine but those provisions are not discussed in this circular.

Effect on Other Regulations. The required notice of proposed rule making to cover these changes has already been published in the Federal Register (25 F.R. 2973), and we anticipate that the effective date of these regulations will be July 1, 1960. The new regulations will supersede requirements relating to the general field of exportation of distilled spirits and specially denatured spirits, as presently contained in 26 CFR Parts 182, 201, 216, 220, 221, 225, 252, and 253, for withdrawals, removals, or shipments occurring on and after that date.

The proposed Part 252 is not designed to give instructions as to how the products are bottled or packaged or otherwise prepared on bonded or bottling premises for exportation. These procedures will be contained in 26 CFR Part 201.

Standardized Procedures. Procedures specially applicable to distilled spirits and specially denatured spirits are contained in proposed Subparts E, H, and I. Procedures which are basically common to all types of export transactions (including transactions

relating to distilled spirits and specially denatured spirits), are consolidated into other subparts. These instructions are contained in proposed Subparts B, C, M, and N.

Bonds. Withdrawals of distilled spirits without payment of tax by a proprietor from his distilled spirits plant will continue to be under his bond, Form 2601. Where removals are of specially denatured spirits, free of tax, consent of surety is required on bond, Form 2601.

To cover other pertinent transactions relating to the general field of exportation of distilled spirits, new bonds, as listed below, have been provided to be effective for transactions commencing on and after July 1, 1960. The bonds which they will supersede on that date, and which will become obsolete at that time, are likewise listed.

New Bond

Superseded Bonds

Form 2734
Specific Export
Bond, Distilled
Spirits or Wine

Form 547 - Export Bond for Distilled Spirits

Form 548 - Transportation Bond - Distilled
Spirits for Export (Specific)

Form 693 - Export Bond for Distilled Spirits
or Alcohol

Form 1497 - Specific Export Bond - Alcohol
Withdrawn Tax-Free for Exportation

Form 1498 - Specific Transportation for Export
Bond, Alcohol Withdrawn Tax-Free
for Exportation

Form 1661 - Specific Withdrawal Bond - Alcohol
Withdrawn Tax-Free for Use in
Vessels and Aircraft

Form 1702 - Transportation Bond - Liquor
Withdrawn for Transportation to
Foreign-Trade Zone (Specific)

Form 2735
Continuing Export
Bond-Distilled
Spirits and Wines

Form 657 - Export Bond for Distilled Spirits
(Continuing)

New Bond

Superseded Bonds

Form 2736
Specific Transportation
Bond, Distilled Spirits
or Wines Withdrawn for
Transportation to
Manufacturing Bonded
Warehouse - Class Six

Form 2737
Continuing Transportation
Bond, Distilled Spirits
and Wines Withdrawn for
Transportation to
Manufacturing Bonded
Warehouse - Class Six

Form 2738
Drawback Bond - Distilled
Spirits and Wine

Form 658 - Transportation Bond - Distilled
Spirits for Export (Continuing)

Form 693 - Export Bond for Distilled
Spirits or Alcohol

Form 1495 - Continuing Export Bond -
Alcohol Withdrawn Tax-Free for
Exportation

Form 1496 - Continuing Transportation for
Export Bond - Alcohol Withdrawn
Tax-Free for Exportation

Form 1660 - Continuing Withdrawal Bond -
Alcohol Withdrawn Tax-Free for
Use on Vessels and Aircraft

Form 1703 - Transportation Bond - Liquors
Withdrawn for Transportation to
Foreign-Trade Zones
(Continuing)

Form 643 - Transportation Bond - Distilled
Spirits Withdrawn for Transfer
to Customs Bonded Manufacturing
Warehouse - Class Six (Specific)

Form 1459 - Specific Transportation Bond -
Alcohol Withdrawn for Transfer
to Customs Manufacturing Bonded
Warehouse

Form 1460 - Continuing Transportation Bond -
Alcohol Withdrawn for Transfer
to Customs Manufacturing Bonded
Warehouse

Form 1618 - Transportation Bond - Distilled
Spirits Withdrawn for Transfer
to Bonded Manufacturing Warehouse
(Continuing)

Form 1581 - Drawback Bond - Distilled Spirits
for Export

The maximum penal sum of each of these five new bonds has been set at \$200,000, with a minimum in each case of \$1,000. It is to be noted that these new bonds are also to be used for transactions dealing with wines. Also, provisions have been made for the distribution and allocation between plants of the penal sums of bonds on Forms 2735 or 2737, if the bonds are not in the maximum penal sum.

In order that there will be no interruption in the orderly continuation of export business, all persons operating under bonds which will be discontinued commencing July 1, 1960, should take appropriate steps to see that proper bonds have been filed with and approved by their assistant regional commissioners (alcohol and tobacco tax) prior to that date. It is anticipated that the new bond forms will be available in the regional offices by June 1.

Forms. Listed below are (a) the forms prescribed under proposed Part 252 for use in transactions dealing with distilled spirits (including specially denatured spirits) which commence on or after July 1, 1960, and (b) the forms prescribed in current regulations which will be superseded on that date:

<u>Forms to be used</u>	<u>Superseded Forms</u>
(1) Form 206 (Rev. 7-60) Withdrawal of Spirits, Specially Denatured Spirits, or Wines for Exportation	Form 206 - (Rev. March 58) Distilled Spirits for Exportation Without Payment of Tax
	Form 691 - (Rev. Apr. 1950) Entry for Exportation
	Form 1456 - (Rev. Jan. 1942) Alcohol for Export - Application and Entry for Withdrawal Tax-Free
	Form 1545 - (Rev. April 1955) Application for Permit to Export Specially Denatured Alcohol
	Form 1603 - (Jan. 1942) Alcohol for Transfer to Customs Manufacturing Bonded Ware- house - Application and Entry for Withdrawal Tax-Free
	Form 1659 - (Jan. 1942) Alcohol for Use on Vessels and Aircraft - Application and Entry for Withdrawal Tax-Free

Forms to be used

Superseded Forms

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| | Form 1701 - (Rev. July 1955) Transfer of Liquors to Foreign-Trade Zone |
| | Form 3923 - Certification of Inspection, Gauging, and Depositing of Distilled Spirits in Bonded Manufacturing Warehouse |
| (2) Form 696 (Rev. 7-57)
Customs Gaugers' Report of Spirits Gauged for Export | (No change) |
| (3) Form 1582 (Rev. 7-60)
Drawback on Distilled Spirits Exported | Form 1582 - (Rev. July 1959) Drawback on Distilled Spirits Bottled or Packaged Especially for Export |
| (4) Form 1583 (Rev. Aug. 1954)
Certificate of Collector of Customs of Collection of Internal Revenue Tax on Imported Distilled Spirits and Wines | (No change) |
| (5) Form 1629 (Rev. 7-60)
Drawback on Distilled Spirits Exported in Packages Filled in Internal Revenue Bond | Form 1629 - (Rev. July 1957) Drawback on Distilled Spirits Exported in Distillers' Original Packages |
| (6) Form 1656 (Rev. 7-60)
Transfer of Distilled Spirits Bottled, Packaged, or Restamped and Marked Especially for Export | Form 1656 - (Rev. July 1957) Transfer of Distilled Spirits or Wines Bottled or Packaged Especially for Export |
| (7) Form 2630 (New 7-60)
Package Gauge Report | Form 1440 - (Rev. 8-57) Report of Alcohol Gauged

Form 1520 - (Rev. 5-58) Report of Spirits Gauged |

Forms to be used

Superseded Forms

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|--|---------------------------------------|
| (8) Form 2635 (New 7-60)
Claim - Alcohol and
Tobacco Taxes | Letter application |
| (9) Form 2639 (New 7-60)
Credit for Allowance
of Drawback | (New procedure - no previous
form) |

Supplies of these new and revised forms are being furnished to the regional offices so that they will be available for use for transactions commencing on and after July 1, 1960. Forms listed as being superseded may not be used for any transactions which are begun on and after that date.

Clearing of Bonds: Allowance of Drawback. In proposed Part 252, we have eliminated all those requirements which deal with the furnishing of proof of foreign-landing or proof of loss at sea. It is proposed that charges against bonds covering withdrawal of distilled spirits without payment of tax and removals of specially denatured spirits free of tax shall be cleared on receipt by the assistant regional commissioner (alcohol and tobacco tax), of the required evidence of exportation, etc., (e.g., export bill of lading), and the copy of Form 206 bearing the certificate of the collector of customs, customs officer, or armed services officer, as the case may be. Claims on Forms 1582 and 1629 for drawback, when supported by a bond on Form 2738, will be allowed on receipt by the assistant regional commissioner (alcohol and tobacco tax), of the required evidence of exportation, etc., and charges against the bond will be cleared on receipt by him of the copy of the claim form properly certified by the designated customs or armed services officer. Claims on Forms 1582 and 1629 for drawback, where a bond is not filed, will be allowed on receipt by the assistant regional commissioner (alcohol and tobacco tax) of the required evidence of exportation, etc., and the certified copy of the claim form. (However, transactions which are in process on July 1, 1960, must be closed out under the regulations under which they were commenced.)

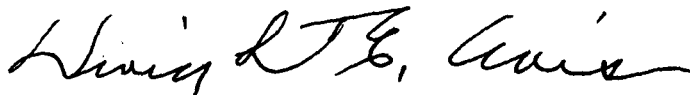
Return of Liquors to Bonded Premises. The present provisions contained in Part 201 relating to the return of distilled spirits and specially denatured spirits to bonded premises after having been withdrawn without payment of tax, or free of tax, for exportation, etc., are contained in Subparts E and H of proposed Part 252.

Crediting of Drawback. Sections 5009 and 5062(b), I.R.C., as amended by Public Law 85-859, introduce a new provision of law

which provides for crediting drawback of tax. This permits giving of credit for drawback on a distilled spirits tax return. Revised Forms 1582 and 1629 provide for the claimant to indicate his choice as to receiving credit or refund. Actual procedures for taking the credit, with respect to distilled spirits, will be contained in Part 201. Form 2639 has been prepared for use of the assistant regional commissioner in giving the claimant formal notice of the allowance of his claim, together with the authority to take credit for such amount against his returns submitted on Forms 2522 or 2521.

Marking of Containers. The special marking requirements with respect to containers destined for export, for use on vessels and aircraft, for transfer to a customs manufacturing bonded warehouse, and for transfer to a foreign-trade zone, have been standardized. Such requirements with respect to distilled spirits are contained in proposed Subparts E and I, and with respect to specially denatured spirits in proposed Subpart H.

Inquiries. Inquiries concerning this circular should refer to its number and be addressed to the office of the assistant regional commissioner (alcohol and tobacco tax).



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